

**PROPERTY TAX
Targeting Refund Expanded,
Including Temporary
Increase for 2023**

March 14, 2023

Department of Revenue
Analysis of H.F. 2725 (Norris) as introduced

	Yes	No
DOR Administrative Costs/Savings	X	

Fund Impact

	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>
	(000's)			
Targeting Refund	(\$23,300)	(\$4,100)	(\$4,500)	(\$6,000)

Effective beginning with refunds based on taxes payable 2023.

EXPLANATION OF THE BILL

Under current law, property owners qualify for the additional property tax refund if property taxes on their homestead increase more than 12 percent over the prior year and the amount of the increase is more than \$100. The refund is equal to 60 percent of the amount of the increase over the greater of 12 percent of the prior year’s property taxes payable or \$100, with a maximum refund of \$1,000.

The proposal would decrease the minimum annual change in property taxes from 12 percent to 8 percent to qualify for a refund. The refund amount would also change to be equal to 60 percent of the amount of the increase over the greater of 8 percent of the prior year’s property taxes payable or \$100. The maximum refund allowed would increase to \$2,000.

The proposal would also provide an additional one-time increase in refunds for taxes payable 2023. The minimum annual change would decrease to 6 percent to qualify for the refund and the maximum refund would be \$2,500 for refunds based on taxes payable in 2023 only.

REVENUE ANALYSIS DETAIL

- The estimate is based on the February 2023 forecast.
- Refunds Based on Taxes Payable 2023 Only:
 - Under current law, it is estimated that 164,000 taxpayers will claim the additional property tax refund for payable year 2023 for a total of \$17.7 million. Under the proposal, these taxpayers would receive an average refund increase of \$94.
 - Decreasing the minimum year-to-year change would make more taxpayers eligible for the refund. Claims made by these newly eligible taxpayers are estimated to increase refunds paid by \$7.9 million.
 - Total refunds paid by the state are estimated to increase by \$23.3 million in fiscal year 2024.

- Refunds Based on Taxes Payable 2024 and After:
 - Under current law, it is estimated that 50,000 taxpayers will claim the additional property tax refund for payable year 2024 for a total of \$5.2 million. Under the proposal, these taxpayers would receive an average refund increase of \$64.
 - Decreasing the minimum year-to-year change would make more taxpayers eligible for the refund. Claims made by these newly eligible taxpayers are estimated to increase refunds paid by \$0.9 million.
 - Total refunds paid by the state are estimated to increase by \$4.1 million in fiscal year 2025.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral	
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Increase	The refund is more responsive to economic conditions by decreasing the minimum annual percent change.

The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue
 Property Tax Division – Research Unit
<https://www.revenue.state.mn.us/revenue-analyses>

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